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*Trusts and the State. A sketch of competition.* By HENRY W. MACROSTY. New York: E. P. Dutton & Co., 1901. 8vo, pp. 318.

*The Control of Trusts. An argument in favor of curbing the power of monopoly by a natural method.* By JOHN BATES CLARK. New York: The Macmillan Company, 1901. 12mo, pp. 88.

NO ECONOMIC or social phenomenon has ever given rise in the same space of time to such a crop of literature as the trust movement since it entered the acute stage with the advent of the year 1898. A perusal of any of the recently compiled bibliographies of the trust question is calculated to impress the conviction that the trusts have been productive of overmuch discussion, if of nothing else, and, so far at least, have been something of an evil. For the quality of the output, taken by and large, has not been of equal degree with the quantity. To say this, and to add that much of the discussion has been of a fugitive character, mainly of interest as supplying an index of individual, class, or sectional opinion, and little likely to exert much influence in the formation of an efficient public opinion, is only to say that the bulk of the discussion has thus far been of lay origin. It must, however, be admitted that the academic contribution to the discussion has not always been up to standard. Aside from two or three notable exceptions, there has been too much dependence on theoretical analysis, and not enough attention given to careful weighing of facts. Assertion and assumption have too often been made to do the service of demonstration. Above all, there has been too much disposition to seek for single and simple causes, too much disposition to treat the evolutionary formula as the one and sufficient key to the interpretation of the trust movement. The fact is, as experience has already abundantly showed, that the trust movement is motivated by too many different causes to make such a procedure anything other than naïve.

Some of these defects of method are exhibited in one or the other of the books here under review. But, on the whole, they may be said to have advanced the discussion to a higher level.

Mr. Macrosty's position is that of a socialist and evolutionist, and his volume is published as the first in the new Fabian Series. The best and the largest part of his book is taken up with a careful examination of the workings of the modern system of competition. In order to see the trust in its proper historical perspective and economic

environment, and thus to arrive at a true appreciation of its causes, Mr. Macrosty has found this examination necessary. These chapters of his book constitute the best introduction to a study of the trust system we have yet met. They reveal the shortcomings of the competitive economy in a glaring light. There is nothing strikingly new in Mr. Macrosty's findings; but his analysis is so thorough, exhaustive, and enlightening, that it gives one a very much livelier appreciation of the insufficiencies of the system of competitive capitalism than he is otherwise likely to have. To quote a single example of Mr. Macrosty's demonstration of the inability of the capitalistic system adequately to control production :

The community is interested only in the accommodation of the whole supply to the total demand, but it is to the interest of each individual manufacturer to secure for himself as large a share of that demand as possible, without regard to the probability of there being an oversupply. To secure custom, he must underbid his competitors; to make the low price profitable, he must reduce his expenses of production. There is thus a permanent stimulus to the improvement of organization and to the invention of new processes; but, as soon as these advantages are gained, they are immediately lost by competition, and the enhanced profits are either dissipated in expenses or handed over to the consumer. The old economists justified competition on this very ground, that the desire for private gain first drove capitalists to improve their industry, and then compelled them to part with their profits to the general public; but they arrived at this attitude only by neglecting all the other aspects of the problem (p. 104).

After all, men are in business, not to exhibit the "natural" laws of economics, but to make an income, and it is a poor consolation to a bankrupt to know that he has been overwhelmed by a stream of tendency (p. 152).

It is better to combine than to fail, and so we find co-operative capitalism, under one form or another, presenting itself as the leading feature of the industrial movement today. It has all the marks of permanence and necessity; it is not confined to any one country, and accidental causes will not explain it. Mr. Macrosty takes sharp issue with the view of M. Paul de Rousiers—a view that has found favor with Professor Ely and others in this country—that there is always something "of an exceptional and artificial character," such as the tariff or railways discrimination, in the conditions resulting in the formation of a trust. Well-established economic forces, that are as operative in Europe as in America, and that can all be summed up in the phrase "destructive competition," adequately account for the trust

movement, which "is the dominant feature of British industry today" no less than of American. "Competition, like the scorpion of fable, is stinging itself to death" (p. 147). If it is the life of trade, it is none the less the death of businesses. And, hence, modern industry is seeking salvation in the opposing principle of association. Combination is, therefore, the order of the day, and "the immediate future of industry lies with the private monopoly" (p. 204); and "private monopoly threatens to overwhelm the state by economic and political oppression" (p. 317).

Here the "trust question" begins to emerge. Mr. Macrosty makes no doubt that trusts, combinations, and all other forms of monopoly, mean a great advance in the organization of industry. But private monopoly is a public danger, because we cannot with safety rely upon the self-interest of its proprietors either to supply the needs or supply the services which the community demands, in the manner most conducive to the common welfare (p. 211). "The problem is, how to secure the benefits of combination without its disadvantages." For Mr. Macrosty, as a Fabian, this question suggests its own answer: "In the collectivisation of industry lies the future hope of society. We cannot go back to competition, but we can direct the new tendency into safe channels" (p. 317).

This is a bald statement of Mr. Macrosty's argument, and it would be unfair to leave it without bearing testimony to the literary skill with which it is presented, the careful and discriminating survey and interpretation of facts and forces with which it is at almost every point supported. There is, however, one weak spot in the argument to which we feel bound to call attention—the assumption, namely, that trusts are, of necessity, monopolies. This, if one may be permitted to say it, is *the* trust question, not to be lightly passed over, but to be as exhaustively analyzed as the apparatus of scholarship permits. The monopolic power of combination is a question of fact, to be investigated as one of fact, not a condition or result to be assumed in accordance with preconceived opinion or prejudice. In the face of his admissions "that even existing trusts steady prices" (p. 206), and that, while "there is some evidence that British combinations have raised prices, . . . there appears to be no ground so far for supposing that the new rates are unreasonable" (p. 208), we find it hard to understand why Mr. Macrosty should have allowed himself to take the monopolic power of trusts so much as a matter of course. The ques-

tion is not yet settled against competition, after all, and one need not enroll himself among old-fashioned individualists to take comfort, rather than alarm, from Mr. Macrosty's confession of faith, when he writes : "The essentially important thing is not that prices are raised, but that the only safeguard of the consumer consists in the perspicuity of the managers of these great combinations" (p. 208). Nobody but a socialist would gather from this that the logic of the situation demanded "public ownership of industry" as the only way of saving the public.

It is just here that Professor Clark's little book is likely to render a timely service in calling attention in vigorous fashion to the persistence and regulative efficiency of competition, even under present-day conditions. He is the knight of potential competition. Distinguishing between centralized production and true monopoly, it is the especial concern of his book to show that there need be no fear that the former will develop into the latter, if law and public opinion do their work in keeping the field of industry open to all comers on fair terms. Centralized production we want; monopoly we do not want. The way to secure this, is to keep competition alive, by removing those obstructions to its action, in the shape of railway rebates, factors' agreements, local cutting of prices, and analogous forms of "predatory competition," which the trusts are now trying to erect. In Professor Clark's scheme of salvation, the independent producer is the savior : "Save him, and you save the great interests of the public."

The position and philosophy thus briefly indicated are outlined with skill and power in the eighty-eight pages of Professor Clark's book. An exultant optimism, based on the accepted adequacy of the natural force of competition — just such as we should expect from the author of the brilliant *Distribution of Wealth* — pervades the pages of this little volume, that sometimes rises to the height of eloquence. But, withal, neither the reasoning nor the eloquence of Professor Clark quite carry conviction. Without further comment, we record our impression that the world which Professor Clark is here explaining is not the world that is. Something has been left out. In consequence, the logic of his argument is better than the substance of his conclusions.

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